

THE CRAIG BIT COMPANY LIMITED

DIRECTORS

J. C. ALEXANDER	Galt, Ontario
G. P. WEST	Galt, Ontario
E. L. HEALY	Toronto, Ontario
J. KOSTUIK	Don Mills, Ontario
E. O'NEIL	Pittsburgh, Pennsylvania
J. W. WILCOCK	Pittsburgh, Pennsylvania

OFFICERS

J. C. ALEXANDER	President
J. A. READ	Vice-President and General Manager
T. E. RHENIUS	Secretary-Treasurer

HEAD OFFICE

180 Ninth Street	North Bay, Ontario
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AUDITORS

PRICE WATERHOUSE & CO.	Hamilton, Ontario
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TRANSFER AGENT AND REGISTRAR

MONTREAL TRUST CO.	Toronto, Ontario
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**ANNUAL REPORT OF THE DIRECTORS
TO THE SHAREHOLDERS OF
THE CRAIG BIT COMPANY LIMITED**

Your Board of Directors submits herewith its Annual Report, also the Auditors' Report for the year ending September 29th, 1972.

These reports will be presented for the approval of the Shareholders at the Annual Meeting of the Company to be held in the Nova Scotia Room at the Royal York Hotel, Toronto, Ontario, on Thursday, February 8, 1973, at 11:00 o'clock a.m.

As mentioned in last year's Annual Report, the cutbacks in production by a number of major mining companies, affected our sales and profits for 1972. These cutbacks, for the most part, are still in effect.

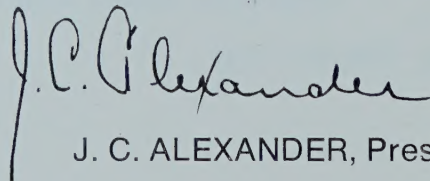
Craig Bit sales during the past year were down by over 27% and net earnings were reduced to less than 10% of 1971 earnings. Net earnings in the last quarter showed the best performance for the year.

While sales are still running well behind 1971 levels, we have, nevertheless, maintained and believe improved our portion of the total available business.

Inventories were reduced by over \$100,000 during the year. Our manufacturing operations are streamlined, efficient, and geared for any increase in production which will be required when the mines resume their normal output, now indicated as possibly the first quarter of 1973.

The Board wishes to express its appreciation to the Officers and Employees of the Company for their continued loyal support and co-operation throughout this past difficult year.

On behalf of the Board,

A handwritten signature in dark ink, appearing to read "J. C. Alexander". The signature is fluid and cursive, with the first letters of each word being capitalized and prominent.

J. C. ALEXANDER, President.

Price Waterhouse & Co.

chartered accountants

P.O. Box 128 20 Hughson Street South Hamilton 20 Ont. (416) 528-8718

October 24, 1972

AUDITORS' REPORT

To the Shareholders of
The Craig Bit Company Limited:

We have examined the balance sheet of The Craig Bit Company Limited as at September 29, 1972 and the statements of operations and retained earnings and source and use of funds for the fiscal year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at September 29, 1972 and the results of its operations and the source and use of its funds for the fiscal year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A stylized, handwritten signature of 'Price Waterhouse & Co.' in dark ink. The script is fluid and cursive, with the ampersand being particularly prominent.

Chartered Accountants.

THE CRAIG BIT

(incorporated under the Companies Act)

BALANCE SHEET

ASSETS

	Sept. 29 1972	Sept. 24 1971
CURRENT ASSETS:		
Cash	\$ 25,304	\$ 92,909
Accounts receivable	347,184	367,765
Due from Joy Manufacturing Company (Canada) Limited	779	9,916
Income taxes recoverable	106,191	115,822
Inventories, valued at the lower of cost and net realizable value	1,158,289	1,262,635
Prepaid expenses	17,378	21,364
	<u>1,655,125</u>	<u>1,870,411</u>
FIXED ASSETS, at cost (Note 1):		
Buildings	388,450	388,450
Machinery and equipment	1,492,288	1,303,792
	<u>1,880,738</u>	<u>1,692,242</u>
Less: Accumulated depreciation	1,268,398	1,166,080
	<u>612,340</u>	<u>526,162</u>
	<u><u>\$2,267,465</u></u>	<u><u>\$2,396,573</u></u>

MPANY LIMITED

(laws of Ontario)

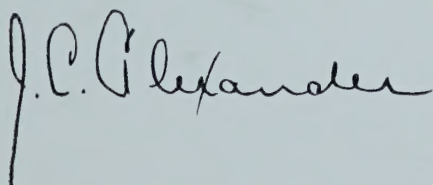
SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY

	Sept. 29 1972	Sept. 24 1971
CURRENT LIABILITIES:		
Bank loan	\$ 175,000	\$ 365,000
Accounts payable and accrued liabilities	281,800	278,530
Due to Joy Manufacturing Company (Canada) Limited	21,089	6,844
	<hr/> 477,889	<hr/> 650,374
DEFERRED INCOME TAXES	178,500	134,800
SHAREHOLDERS' EQUITY:		
Capital stock—		
Authorized—500,000 common shares of no par value		
Issued and fully paid—232,000 common shares	180,214	180,214
Retained earnings, per statement attached	1,430,862	1,431,185
	<hr/> 1,611,076	<hr/> 1,611,399

APPROVED ON BEHALF OF THE BOARD:

 Director

 Director

\$2,267,465

\$2,396,573

THE CRAIG BIT COMPANY LIMITED

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NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 29, 1972

1. The cost of fixed assets has been reduced by \$137,540 to reflect a federal Area Development Incentives grant of which \$108,161 has been received to September 29, 1972. The balance of \$29,379 is included in accounts receivable and will be received within the next fiscal year provided the company complies with the terms of the grant.
2. Net income for the year ended September 29, 1972 includes approximately \$29,000 of non-Taxable income associated with the Area Development Incentives Grant.
3. Total remuneration of directors and senior officers for the fiscal year ended September 29, 1972 amounted to \$61,000.
4. The annual rental on leased land at North Bay, the lease for which is due to expire in 1980, is \$6,700.

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STATEMENT OF OPERATIONS AND RETAINED EARNINGS

For the fiscal year ended

	Sept. 29 1972	Sept. 24 1971
Net sales	\$2,513,402	\$3,470,664
Costs and expenses exclusive of items noted below	2,394,753	3,033,474
Depreciation	110,412	110,681
Income taxes (Note 2)	(10,000)	135,722
	2,495,165	3,279,877
Net income for the year (Note 2)	18,237	190,787
Retained earnings at beginning of year	1,431,185	1,258,958
	1,449,422	1,449,745
Dividends paid	18,560	18,560
Retained earnings at end of year	\$1,430,862	\$1,431,185
Earnings per share	\$0.08	\$0.82

THE CRAIG BIT COMPANY LIMITED

(Incorporated under the laws of Ontario)

STATEMENT OF SOURCE AND USE OF FUNDS

	For the fiscal year ended	
	Sept. 29 1972	Sept. 24 1971
SOURCE OF FUNDS:		
Net profit for the year	\$ 18,237	\$ 190,787
Depreciation	110,412	110,681
Deferred income taxes	43,700	70,000
	<hr/>	<hr/>
Funds from operations	172,349	371,468
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USE OF FUNDS:		
Increase in fixed assets (net)	196,590	138,795
Dividends declared	18,560	18,560
	<hr/>	<hr/>
	215,150	157,355
	<hr/>	<hr/>
Increase (decrease) in working capital	(42,801)	214,113
Working capital at beginning of year	1,220,037	1,005,924
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Working capital at end of year	\$1,177,236	\$1,220,037
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